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GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

June 18, 2007

The Honorable Michelle McManus, Chair
Senate Appropriations Subcommittee on
Natural Resources
S-2 Capitol Building
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair
House Appropriations Subcommittee on
Natural Resources
Room 1489 House Office Building
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 220, PA 344 of 2006, attached is a summary of the Department of Natural Resources' (DNR) cost allocation plan for restricted funds. Due to the size of the cost allocation plan, only the summary is being forwarded. The remaining portion is available for review in the DNR's Financial Services office.

If you have questions, please contact Jane Schultz at 517-241-2392.

Sincerely,

Sharon M. Schafer, Chief
Budget and Support Services
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Ms. Jessica Runnels, Senate Fiscal Agency
Dr. Kirk Lindquist, House Fiscal Agency
Mr. Robert Emerson, State Budget Director, DMB
Mr. Jacques McNeely, DMB
Ms. Jennifer Harrison, DMB
Director Rebecca A. Humphries, DNR
Mr. Dennis Fedewa, Chief Deputy, DNR
Ms. Mindy Koch, Resource Management Deputy, DNR
Mr. Dennis Fox, Chief of Staff, DNR
Mr. Rodney Stokes, Legislative Liaison, DNR
Mr. Daniel Eichinger, Assistant Legislative Liaison, DNR
Mr. Joseph Frick, DNR
Ms. Jane Schultz, DNR

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**Michigan Department of Natural Resources
Cost Allocation Project for
Administrative Funding Sources
FY 2005**

Introduction

MAXIMUS is pleased to present the results of the Cost Allocation Project for the Michigan Department of Natural Resources (DNR). The DNR has many state restricted funding sources that fund the administrative divisions of the Department. The purpose of this project was to prepare a cost allocation plan to determine a reasonable and defensible distribution of funding within each administrative appropriation. The plan is based on actual information for the year ended September 30, 2005, and includes an analysis of the following DNR appropriations:

- 1001 – Executive Direction
- 1092 – Commission
- 1093 – Unclassified Salaries
- 1104 – Office of Land and Facilities
- 1105 – Office of Program Assistance and Review
- 1106 – Budget and Support Services
- 1107 – Office of Financial Services
- 1108 – Grants, Contracts, and Customer Systems
- 1126 – Human Resources
- 1128 – Human Resources Optimization
- 1345 – Building Occupancy Charges
- 1346 – Rent - Privately Owned Property
- 8914 – Information Technology Services and Projects

Methodology

The project has been completed in two phases. Phase I allocates administrative costs to the divisional level. Phase II reallocates the divisional costs to individual funding sources according to the ratio of funding provided for each division.

Phase I – Phase I of the project is included as Attachment A. The cost plan is divided into thirteen plan sections corresponding to the administrative appropriations that have been identified. Each section of the cost plan includes; a narrative description of the allocation procedures utilized, a schedule of costs by functional grouping, and a schedule that details the allocation of costs within each function. The overall objective was to group costs into functional areas, which represent an activity or service provided; and to subsequently allocate the activity to benefited programs using an allocation base that best represents benefit derived. Schedule A from Phase I contains a summary of costs allocated from each central service section to the individual divisions of DNR.

Phase II – Phase II of the project is included as Attachment B. The Phase II cost plan reallocates the costs allocated to each division from each administrative appropriation in Phase I to the cost objective, or the various funding sources of the DNR. Costs allocated to each division in Phase I have been reallocated according to the ratio of actual funded expenditures for that division. In some instances, costs in Phase I may have been allocated directly to a specific funding source, e.g. MNRTF. In such cases, Phase II simply reallocates those costs directly to the same funding source.

Due to the volume of detail in the Phase II plan, only the summary portion of the plan is included. The final results are summarized on Schedule A of the plan. Also, a detailed listing of the allocation bases used to redistribute the Phase I allocations for the first plan section, appropriation 1001-Executive Direction, have been included. The exact same allocation bases utilized for the Executive Direction section of Phase II were used to allocate the costs of the other Phase II administrative appropriations.

Summary of Results

A summary of the final distribution of costs by funding source for each of the administrative appropriations is included in the following exhibits:

- Exhibit I represents a reconciliation of costs, by appropriation, allocated in the cost plan. Costs are based upon appropriation year expenditures identified in the DAFR 7480 report.
- Exhibit II summarizes the allocated funding results for each of the administrative appropriations.

Special Projects – It is important to note, in some instances costs directly associated with projects with discrete funding sources were allocated to the Special Projects cost pool. This cost pool is separately identified on Exhibit II, and the identified costs have not been allocated to any funding source. In order to determine total allocated costs associated with each funding source, the funding for Special Projects needs to be determined and added to the fund totals on Exhibit II. A summary of the 2005 fiscal year Special Projects is as follows:

Summary of Special Projects

Appropriation	Project	Amount
8914	Payroll, administration, and support for CGI	\$1,043,579.04
8914	LOTS Computer System Development	\$258,158.22
Total		\$1,301,737.26

**MICHIGAN DEPARTMENT OF NATURAL RESOURCES
COST ALLOCATION PLAN
SUMMARY OF ALLOCATED ADMINISTRATIVE APPROPRIATIONS
FY 2005 / AY 2005**

<u>Appropriation</u>	<u>Cash</u>	<u>Accruals</u>	<u>Encumbrances</u>	<u>DAFR 7480 Total</u>	<u>Travel Adjustment</u>	<u>Adjusted DAFR 7480</u>	<u>Non-Administrative Expenditures</u>	<u>Final Amount Allocated</u>
1001 - EXECUTIVE DIRECTION	1,816,359	11,912	860	1,829,131	91,945	1,921,076	-	1,921,076
1092 - COMMISSION	39,851	774	-	40,624	-	40,624	-	40,624
1093 - UNCLASSIFIED SALARIES	416,491	-	-	416,491	-	416,491	-	416,491
1104 - OFFICE OF LAND AND FACILITIES	10,072,975	137,725	182,807	10,393,507	69,574	10,463,081	6,416,523	4,046,558
1105 - PROGRAM ASSISTANCE AND REVIEW	735,628	690	347	736,665	4,309	740,974	-	740,974
1106 - BUDGET AND SUPPORT SERVICES	804,106	3,267	378	807,750	572	808,322	-	808,322
1107 - OFFICE OF FINANCIAL SERVICES	1,884,888	28,914	37,000	1,950,802	2,472	1,953,275	-	1,953,275
1108 - GRANTS, CONTRACTS, & CUSTOMER SYS	5,081,877	110,126	20,070	5,212,073	7,886	5,219,960	-	5,219,960
1126 - HUMAN RESOURCES	1,971,316	24,391	-	1,995,707	5,718	2,001,425	-	2,001,425
1128 - HUMAN RESOURCES OPTIMIZATION USER CHARGES	75,611	-	-	75,611	-	75,611	-	75,611
1345 - BUILDING OCCUPANCY CHARGES	1,886,988	(60)	-	1,886,928	-	1,886,928	-	1,886,928
1346 - RENT - PRIVATELY OWNED PROPERTY	344,379	-	-	344,379	-	344,379	-	344,379
8914 - INFORMATION TECHNOLOGY SERVICES AND PROJECTS	7,971,051	123	78,020	8,049,193	-	8,049,193	-	8,049,193
TOTALS	33,101,519	317,862	319,482	33,738,863	182,476	33,921,340	6,416,523	27,504,816

MICHIGAN DEPARTMENT OF NATURAL RESOURCES COST ALLOCATION PROJECT
ADMINISTRATIVE FUNDING SOURCES - FY 04/05
SUMMARY OF RESULTS

Exhibit II

FUND NAME	EXEC DIR 1001	COMMISSION 1002	UNCLASS SAL 1003	OLAF 1104	OPAR 1105	BUDGET 1106	FIN SVCS 1107	GRANTS 1108	HR 1126	HR OPT 1128	BLDG OCC 1345	RENT-PRIVATE 1346	INFO TECH 8514	TOTAL
AIRCRAFT	2,107	44	457	180	1,089	593	2,335	1,341	1,504	59	3,660	436	9,054	22,912
AIS-REV	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CERVIDE/LIC/INSPECTION	316	7	69	25	77	103	287	49	259	10	400	35	1,212	2,854
CLEANMICH	2,183	46	473	213	7,341	6,201	8,835	40,027	1,527	62	5,668	278	10,325	81,180
COMM-Forest	205	4	44	15	187	59	381	89	148	6	173	59	788	2,138
F&G	546,891	11,564	118,597	1,554,185	140,598	167,036	393,775	139,063	393,946	13,209	579,887	139,984	2,079,946	6,279,934
F&G-DEER	16,986	346	3,552	114,935	4,131	6,502	15,883	2,733	13,421	498	24,008	1,684	53,285	287,553
F&G-SETTLE	3,989	76	778	283	753	1,037	2,722	623	2,737	105	1,868	1,340	12,651	28,542
F&G-TURKEY	11,432	243	2,482	68,765	2,771	3,923	10,452	1,839	9,411	348	14,732	1,262	44,218	171,897
F&G-WILDFEE	14,923	316	3,228	1,020	5,078	3,841	8,043	1,053	9,090	350	8,250	4,349	50,708	109,287
F&G-WTFRWL LICENSE	3	-	1	-	51	683	705	-	-	-	-	-	-	1,443
F&G-WTFRWL MGMT	779	16	168	62	166	283	696	126	838	23	1,005	84	2,996	7,039
FOREST-CAMPREC	11,983	240	2,463	35,547	9,821	3,455	18,821	4,741	8,194	913	10,262	3,159	43,978	151,999
FOREST-DEVELOP	258,556	5,475	58,121	786,921	221,923	89,142	438,860	118,202	185,795	7,122	279,350	71,216	1,013,474	3,519,887
FOREST-USE	2,693	56	577	197	2,385	787	4,579	1,130	1,342	74	2,383	745	10,331	27,693
GEO-INFO	41	1	9	7	26	73	111	17	34	1	344	13	180	857
GIFT	-	-	-	-	96	199	355	-	-	-	-	-	-	643
HARBOR	1,571	33	240	179	523	449	572	570	2,817	105	1,000	25	4,244	12,228
HAVEN HILL NATURAL AGMT	9	-	2	-	179	2,412	2,489	-	-	-	-	-	-	5,091
LOG-ENG	13,220	280	2,668	2,851	1,658	3,630	6,410	11,167	9,249	381	34,676	1,700	63,158	151,350
LOG-LAND	979	21	212	95	123	289	475	827	892	28	2,687	126	4,676	11,091
LOG-MACHUL	12,882	260	2,853	1,205	1,629	3,370	5,921	10,191	8,775	357	32,202	1,555	58,757	139,087
LAND SALE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LEFF	18,827	384	4,039	1,835	2,329	5,224	9,122	15,577	13,241	540	48,381	2,883	88,033	211,745
MARINE	17,880	380	3,693	139,522	7,094	10,981	24,262	15,441	11,051	409	12,359	4,778	63,122	310,293
MCC ENDOWMENT	9,318	197	2,021	1,081	1,918	2,659	3,397	3,402	18,685	620	5,864	154	23,203	72,598
NATIONAL FOREST FEE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-GAME	5,177	110	1,122	419	1,211	1,794	4,514	988	4,245	153	7,244	587	20,292	47,841
UNRIF	15,090	318	3,271	1,351	25,712	73,782	84,163	447,898	10,643	415	35,764	3,559	82,462	774,438
OIL & GAS	11	-	2	-	54	235	528	-	-	-	-	-	-	890
ORV-TRAIL	15,232	324	3,322	41,454	8,009	7,597	20,284	6,680	12,332	470	9,498	3,684	52,233	181,248
PARK-ENDOW	118,687	2,457	25,283	13,276	28,311	44,027	57,979	38,525	214,924	7,854	56,451	1,953	301,379	910,778
PI-FRKNR	319,586	6,790	68,308	201,362	64,119	98,396	125,112	108,448	551,785	20,892	287,330	5,775	915,519	2,763,592
PIT-ROB	1,795	38	387	142	522	1,822	2,673	276	1,457	54	2,253	195	6,828	18,933
PRIVATE	908	18	197	83	340	1,654	2,268	181	1,058	37	864	75	3,015	10,708
PUB-REV	7	-	2	-	-	-	3	2	8	-	20	-	39	83
REC BOND FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REC IMPRVMT FUND	3,335	69	723	249	3,152	3,251	10,497	1,438	2,300	92	3,732	847	12,881	42,556
SAFETY EDUCATION FUND	604	12	131	40	302	571	1,304	39	353	14	215	172	1,968	5,722
SIGN SHOP	292	5	55	18	219	73	425	115	181	6	239	70	993	2,641
SNOW-REG	7,990	157	1,604	32,312	2,728	3,489	7,657	2,397	4,516	173	4,427	2,028	25,722	84,611
SNOW-TRAIL	15,188	323	3,294	47,221	16,874	20,684	62,469	18,284	10,514	401	14,278	3,912	56,654	271,098
WATERWAYS	129,649	2,752	28,168	85,700	31,859	74,064	90,744	45,378	230,995	8,587	91,762	2,878	353,850	1,176,786

EXHIBIT II

MICHIGAN DEPARTMENT OF NATURAL RESOURCES COST ALLOCATION PROJECT
ADMINISTRATIVE FUNDING SOURCES - FY 04/05
SUMMARY OF RESULTS

Exhibit II

FUND NAME	EXEC DIR 1001	COMMISSION 1092	UNCLASS BAL 1093	OLAF 1104	OPAR 1105	BUDGET 1106	FIN SVCS 1107	GRANTS 1108	HR 1126	HR OPT 1128	BLDG OCC 1345	RENT-PRIVATE 1346	INFO TECH 8914	TOTAL
YOUTH HUNTING & FISHING ED	59	1	13	6	4	15	22	4	70	3	135	3	315	970
2002 IMP ACCT-PARK REV BOND														
SPECIAL PROJECTS														
GF/GP*	343,883	7,270	74,553	914,991	148,684	170,090	514,812	3,735,494	254,080	9,655	328,525	84,120	1,301,737	8,037,231
LINE ITEM TOTAL	1,921,076	40,824	416,481	4,046,553	740,874	808,322	1,953,275	5,219,880	2,001,425	75,011	1,886,978	344,379	8,046,193	27,504,816

*GF/GP INCLUDES ALLOCATIONS TO ALL FEDERAL FUNDS AND DEQ